UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.1
27 March 1990

ORIGINAL: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May-22 June 1990, Geneva
Item 2 of the provisional agenda of the
Council
Items 3 and 4 of the provisional agenda
of the Budgetary and Finance Committee

ADOPTION OF THE AGENDA AND OTHER ORGANIZATIONAL MATTERS

Provisional agenda and organization of work of the Budgetary and Finance Committee

Note by the secretariat

1. In accordance with Governing Council decision 81/37, paragraph 4 (a), this document contains, in annexes I and II, respectively, the provisional agenda and the tentative schedule of work of the Budgetary and Finance Committee at the thirty-seventh session of the Governing Council.

2. At its organizational meeting in February 1990, the Governing Council, by decision 90/1, approved the provisional agenda for its thirty-seventh session, scheduled to be held from 28 May to 22 June 1990 in Geneva, and decided to allocate the following items to the Budgetary and Finance Committee:

6	United Nations Population Fund: budgetary and financial matters
8 (a)-8 (g)	Other funds and programmes: financial and administrative questions:
	(a) United Nations Volunteers programme;
	(b) Focal point for short-term advisory services;

best copy available

(c) United Nations Fund for Science and Technology for Development;

(d) United Nations Revolving Fund for Natural Resources Exploration;

(e) Progress report on the United Nations Sudano-Sahelian Office;

(f) United Nations Development Fund for Women;

(g) Technical co-operation among developing countries.

9 (a)	Annual review of the financial situation, 1989
9 (b)	Revised budget estimates for 1990-1991 and matters relating to decision 89/59
9 (c)	Report on the status of management services
9 (d)	Trust funds
9 (e)	Audit reports
9 (f)	Financial regulations:
	(i) Matters on which consensus has not yet been achieved;
	(ii) Biennialization of financial statements.
9 (g)	Ex-post facto reporting

3. In accordance with Council decisions 86/53 and 90/1, the Budgetary and Finance Committee will also review the financial implications of draft decisions before the Council takes action thereon. Consequently, provision must be made for the Committee to review all documents having financial implications, including draft decisions formulated by the Drafting Group, as well as other matters which the Council may wish to refer to under item 7 of the provisional agenda of the Committee. For the present, the following items are likely to be referred by the Council to the Budgetary and Finance Committee, for which provision has been made and which are included in Annex II:

(i) Programme implementation - Item 4 (b) (x) - Government execution

(ii) Programme implementation - Item 4 (c) - Agency support costs

(iii) Programme implementation - Item 4 (d) - Procurement from developing countries: procurement policies and practices.

4. Annex II, which contains the work schedule of the Budgetary and Finance Committee, should be considered provisional and indicative in nature so that the Committee may be in a position to take up items on a more flexible basis. In particular, should it complete consideration of an item before the date indicated, the Committee would move immediately to the next item on its work schedule.

5. In accordance with the request made by the Council in 1988, the attention of members is drawn to the following General Assembly documents which relate to the subject of audit reports (agenda item 9 (e), a limited quantity of which will be made available at the time of the thirty-seventh session:

(i) A/44/5/Add.1 - UNDP financial report and audited financial statements for the year ended 31 December 1988; and report of the Board of Auditors;

(ii) A/44/543 - Report of the ACABQ on the financial reports and audited financial statements and reports of the Board of Auditors,

6. Annex III provides a summary of the provisional agenda and organization of work of the Budgetary and Finance Committee for the four-week period 28 May-22 June 1990.

Annex I

PROVISIONAL AGENDA OF THE BUDGETARY AND FINANCE COMMITTEE
AT THE THIRTY-SEVENTH SESSION OF THE GOVERNING COUNCIL

1. Opening of the session.

2. Election of the Rapporteur.

3. Adoption of the agenda.

4. Adoption of the organization of work.

5. Statement by the Associate Administrator.

6. United Nations Population Fund (budgetary and financial matters).

7. Matters referred to the Committee by the Council.

8. Other funds and programmes (financial and administrative questions).

9. Financial, budgetary and administrative matters:

   (a) Annual review of the financial situation, 1989;

   (b) Revised budget estimates for 1990-1991 and matters relating to decision 89/59;

   (c) Report on the status of management services;

   (d) Trust funds;

   (e) Audit reports;

   (f) Financial regulations:

      (i) Matters on which consensus has not yet been achieved;

      (ii) Biennialization of financial statements;

   (g) Ex-post facto reporting.

10. Adoption of the report of the Budgetary and Finance Committee to the Governing Council.

Annex II

TENTATIVE SCHEDULE OF WORK OF THE BUDGETARY AND FINANCE COMMITTEE AT THE THIRTY-SEVENTH SESSION OF THE GOVERNING COUNCIL

Date	Time	BFC agenda item	Documents a/
		First week: 28 May-1 June 1990	
Monday 28 May	a.m.	Opening of the session (1)	
		Organizational matters (2-4):	
		Election of the Rapporteur (2)	
		Adoption of the agenda (3)	DP/1990/BFC/L.1
		Adoption of the organization of work (4)	DP/1990/BFC/L.1
		Statement by the Associate Administrator (5)	
	p.m.	Annual review of the financial situation, 1989 (9 (a))	
		(i) Report of the Administrator	DP/1990/64
		(ii) Report on net flow of contributions	DP/1990/64/Add.1
Tuesday 29 May	a.m./ p.m.	Trust funds (9 (d))	
		(i) Trust Funds established by the Administrator in 1989	DP/1990/68
		(ii) Summary financial information on all trust funds established by the Administrator since 1981	DP/1990/68/Add.1
		(iii) Report of the Advisory Committee on Administrative and Budgetary Questions	DP/1990/87
Wednesday 30 May	a.m./ p.m.	Revised budget estimates for 1990-1991 (9 (b))	
		(i) Report of the Administrator	DP/1990/65

/...

READEX FICHE

Date	Time	BFC agenda item	Documents a/
		First week (continued): 28 May-1 June 1990	
		(ii) Report of the Advisory Committee on Administrative and Budgetary Questions	DP/1990/87
Thursday 31 May	a.m./ p.m.	United Nations Population Fund (budgetary and financial matters) (6)	
		(i) Report on the implementation of the UNFPA strategy for office automation of a management information system	DP/1990/51
		(ii) Report on staff classification at D1 and D2 levels	DP/1990/52
		(iii) Report on the proposed criteria and procedures for the establishment of temporary and local posts in the field and at headquarters and the conversion of existing temporary local posts	DP/1990/53
		(iv) Annual review of the financial situation, 1989	DP/1990/54
		(v) Audit report of executing agencies	DP/1990/50
		(vii) Report of the Advisory Committee on Administrative and Budgetary Questions	DP/1990/55
		(viii) UNFPA financial regulations	DP/1990/86
Friday 1 June	a.m.	United Nations Population Fund (budgetary and financial matters) (6) (continued)	
	p.m.	Revised budget estimates for 1990-1991 (9 (b)) (continued)	DP/1990/65

Date	Time	BFC agenda item	Documents a/
		Second week: 4-8 June 1990	
Monday 4 June	a.m./ p.m.	No meeting planned	
Tuesday 5 June	a.m./ p.m.	Audit reports (9 (e))	
		(i) UNDP: Note by the Administrator	DP/1990/76
		(ii) AGENCIES: Note by the Administrator	DP/1990/69
		(iii) Audited aaccounts and audit reports of executing agencies	DP/1990/69/Add.1
Wednesday 6 June	a.m./ p.m.	No meeting planned	
Thursday 7 June	a.m.	Status of management services (9 (c))	DP/1990/67
	p.m.	Ex-post facto reporting (9 (g))	DP/1990/72
Friday 8 June	a.m.	UNDP financial regulations (9 (f))	
		(i) Matters on which consensus has not been achieved	DP/1990/70
		(ii) Biennialization of financial statements	DP/1990/63
	p.m.	No meeting planned	
		Third week: 11-15 June 1990	
Monday 11 June	a.m./ p.m.	No meeting planned	
Tuesday 12 June	a.m./ p.m.	No meeting planned	
Wednesday 13 June	a.m.	No meeting planned	
	p.m.	Programme implementation - Government execution (4 (b) (x))	DP/1990/33

Date	Time	BFC agenda item	Documents a/
		Third week (continued): 11-15 June 1990	
Thursday 14 June	a.m.	No meeting planned	
	p.m.	Programme implementation - Procurement from developing countries (4 (d))	DP/1990/28
Friday 15 June	a.m.	Other funds and programmes (8 (a)-(g))	
	p.m.	Agency support costs (4 (c)) - (financial aspects)	DP/1990/9
		Fourth week: 18-22 June 1990	
Monday 18 June	a.m./ p.m.	Draft report	
Tuesday 19 June	a.m.	Draft report	
	p.m.	No meeting planned	
Wednesday 20 June	a.m./ p.m.	No meeting planned	
Thursday 21 June	a.m./ p.m.	No meeting planned	
Friday 22 June	a.m./ p.m.	No meeting planned	

a/ For annotations, please refer to document DP/1990/14.

BUDGETARY AND FINANCE COMMITTEE

Provisional agenda and organization of work
28 May-22 June 1990
GENEVA

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
	28 May 1990	29 May 1990	30 May 1990	31 May 1990	1 June 1990
AM	Opening of the session (1) Organizational matters (2-4) Statement by Associate Administrator (5)	Trust funds established in 1989 9 (d)	Revised budget estimates 1990-1991 9 (b)	UNFPA (6)	UNFPA (6) (continued)
PM	Annual financial review: 1989 9 (a) Annual financial review: 1989 9 (a) (continued)	Trust funds established in 1989 9 (d) (continued)	Revised budget estimates 1990-1991 9 (b) (continued)	UNFPA (6) (continued)	Revised budget estimates 1990-1991 9 (b) (continued)

	4 June 1990	5 June 1990	6 June 1990	7 June 1990	8 June 1990
AM	HOLIDAY	Audit reports 9 (e)	No meeting planned	Status of management services 9 (c)	UNDP financial regulations 9 (f)
PM	HOLIDAY	Audit reports 9 (e) (continued)	No meeting planned	Ex-post facto report 9 (g)	No meeting planned

	11 June 1990	12 June 1990	13 June 1990	14 June 1990	15 June 1990
AM	No meeting planned	No meeting planned	No meeting planned	No meeting planned	Other funds and programmes: 8 (a)-(g)
PM	No meeting planned	No meeting planned	Government execution: [Plenary No.: 4 (b) (x)]	Procurement from developing countries: [Plenary No.: 4 (d)]	Agency support costs: [Plenary No.: 4 (c)]

	18 June 1990	19 June 1990	20-22 June 1990
AM	Draft report (10)	Draft report (10)	No meetings planned
PM	Draft report (10)	No meeting planned	

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2
21 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May-22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Mohamed Mahmoud (Mauritania)

CONTENTS

Chapter — Page

Introduction .....

I. MATTERS REFERRED TO THE COMMITTEE BY THE COUNCIL .....

II. UNITED NATIONS POPULATION FUND .....

III. OTHER FUNDS AND PROGRAMMES .....

IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

A. Annual review of the financial situation, 1989 .....

B. Revised budget estimates for 1990-1991 .....

C. Report on the status of management services .....

D. Trust Funds .....

E. Audit Reports .....

F. Financial regulations of UNDP .....

G. Ex-post facto reporting .....

GE.90-68484/3704a

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2/Add.1
1 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May-22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

A. Annual review of the financial situation, 1989

1. For its consideration of item 9 (a) of the Council's agenda, the Committee had before it the reports of the Administrator contained in documents DP/1990/64 and DP/1990/64/Add.1 and the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87).

2. The Associate Administrator introduced the item by noting that the report provides a comprehensive review of UNDP financial activities in 1989. He was pleased to report that programme expenditures in 1989 had continued to increase when compared with previous years. The total field programme expenditure amounted to $897.6 million, or 8 per cent greater than in 1988.

However, this was about 4.8 per cent below the forecast. As explained in the report, various factors contributed to this. On the income side, UNDP received $932.6 million in voluntary contributions in 1989. This was marginally higher than the 1988 figure but approximateley 5 per cent less than the target set last year. The main reason for the shortfall was the continued strengthening of the dollar. The net result was a greater-than-expected decrease in the balance of general resources held by UNDP.

3. The balance as at 31 December 1989 was $523.2 million, $57.7 million less than the balance held at the end of 1988 and $42.1 million less than projected at the thirty-sixth session of the Governing Council. As had already been explained, the gradual build-up of programme expenditure would result in a substantial reduction in the balance of general resources in the years 1990 and 1991. For 1990, the indicative planning figure (IPF) expenditure target was $815 million, some $86 million more than the actual expenditure for 1989. Expenditures for 1991 were being projected to reach $860 million. Current approvals and pipeline projects indicated that UNDP would be able to sustain that level of expenditures over the next several years. If the projected expenditure levels were achieved, UNDP would expect the balance of resources held at the end of 1991 to be reduced to $215-160 million if non-convertible currency holdings of UNDP were excluded.

4. The Associate Administrator noted that the document included information on cost-sharing activities, the Special Measures Fund for the Least Developed Countries, management and other support services, the Operational Reserve, accumulated non-convertible currencies, and agency support costs paid under flexibility arrangements for the smaller agencies. With regard to the Operational Reserve, the Governing Council was being requested to approve an amendment to the present formula, the details of which were contained in the paper on the fifth programming cycle (DP/1990/43 and Add.1).

5. With respect to the Reserve for Field Accommodation, the Governing Council was being requested to approve three decisions with respect to the utilization of the Reserve. First, the Administrator was requesting the Council to approve a continuation of the authority to overcommit the Reserve by $10 million, while ensuring, of course, that actual cash disbursement would not at any time exceed $25 million. Second, an authorization was being sought to increase within the Reserve the amount for rehabilitation from $650,000 to $2.2 million. Third, the Council was being requested to approve the use of the Reserve for the purchase and construction of office accommodation.

Approval of this authority would enable all members of the Joint Consultative Group on Policy (JCGP) jointly to fund common premises and maintain its thrust in that direction.

6. Finally, the Associate Administrator apprised the Governing Council of the current status of the UNDP systems review. The United Nations was also undertaking a major review of its systems. UNDP had discussed the possibility of implementing a common electronic data processing system with the United Nations, which could avoid duplication and thus substantially reduce the cost to UNDP. It was expected that a review of both systems would be completed by the end of 1990 and on that basis, the Council would be advised of the possibility of implementing common computerized systems.

Summary of the discussion of the Committee

7. A number of delegates stressed the importance they attached to the work of the Budgetary and Finance Committee. Several delegates noted that there had been only a marginal increase in voluntary contributions and in that connection requested clarification regarding the shortfall against the targets. One delegate expressed concern about exchange rate losses recorded by UNDP and asked whether measures could be taken to limit UNDP exposure. Another delegate stressed the importance of government local office cost contributions. Several delegates took note of the level of outstanding contributions and underlined the importance of the prompt payment of pledges for a voluntarily funded organization. One delegate stated that further progress should be made on the issue of the accumulation of non-convertible currencies. Several delegates requested UNDP to adopt a cautious approach with regard to the rate of increase of future contributions in its financial planning.

8. Delegates referred to programme expenditures and expressed satisfaction with the continuing increase in delivery - both achieved and projected. The shortfall against the target was also commented on; one delegate considered the explanations provided by the Administrator insufficient and requested more detailed information. Several delegates noted the improvements in programme management in recent years. Some delegates expressed concern that an increase in delivery should not be at the expense of quality and requested assurances in that regard.

9. Delegates noted that expenditure was in excess of income and requested clarification regarding the long-term implications of deficit financing.

Several delegates stressed the importance of keeping administrative costs in line with the growth of contributions and programme expenditures. One delegate commented on the conservative nature of UNDP programme management, noting that while on the income side calculations were on a cash basis, on the expenditure side they were on an accrual basis, including both disbursements and unliquidated obligations.

10. Several delegates commented on the Administrator's proposal with regard to the Special Measures Fund for the Least Developed Countries (SMF/LDC) to release 90 per cent of the amount of pledges for programming soon after the formal pledges. Many delegates agreed to the Administrator's proposal. One delegate considered that no decision should be taken prior to the Second United Nations Conference on the Least Developed Countries. Another delegate questioned whether 90 per cent was too high a percentage and proposed 60 per cent instead. Many delegates supported the Administrator's proposal with regard to a revised methodology for calculating the level of the Operational Reserve. It was noted that the level of the Reserve was also dealt with in the context of the fifth cycle paper (DP/1990/43 and Add.1). While one delegate expressed concern that the proposal might leave the Reserve at an unnecessarily high level, others stressed the importance of the Reserve and the need for it to be adequately funded. The importance of realistic programme planning and of close monitoring of the financial situation was stressed.

11. Many delegates supported the Administrator's proposals with regard to the Reserve for Field Accommodation. Regarding the use of the Reserve for the purchase and construction of office accommodation, one delegate questioned whether it involved a change of policy in so far as UNDP was concerned. Several delegates cautioned UNDP not to try to enter the real estate business but at the same time expressed support for the UNDP proposal. One delegate requested clarification as to whether the UNDP proposal was limited to the case of joint premises.

12. Finally, with regard to the issue of the UNDP systems review, several delegates expressed interest in the item and supported the direction UNDP was taking. One delegate requested further clarification as to the current situation.

Response of the Administration

13. The Director of the Planning and Co-ordination Office stressed that the current excess of expenditure over income was a result of the current liquidity position of UNDP and constituted an element in the UNDP strategy to draw down the balance to permit higher programme expenditures. As balances were drawn down, expenditures would be budgeted to be in line with income. The current deficit financing situation was, therefore, of a short-term nature, was international in nature, and posed no long-term risks to the Organization. The Director confirmed the continuing validity of the planning assumptions made at the time of the special session of the Governing Council held in February 1990, when the last 25 per cent of IPFs and Special Programme Resources (SPR) authorized by decision 88/31 were released for programming.

14. The Director then addressed the issue of the quality of projects and the need to ensure that increased delivery was not attained at the expense of quality. In that regard, the Director noted the role played by the Action Committee and the Programme Review Committee at headquarters and local Programme Action Committees in the field. In addition, he referred to other tools available to enhance project quality, such as the newly formulated project formulation framework and the project development facility. In sum, he stated that the issue of project quality would continue to receive the highest priority.

15. The Deputy Director of the Division of Finance provided clarifications with regard to the exchange rate losses incurred by UNDP. He noted that UNDP exchange rate operations had been recently reviewed in depth and that every measure possible was being taken to limit UNDP exposure. With regard to the Administrator's proposal relating to SMF/LDC, the Deputy Director stressed that the proposal related to resources already pledged and was therefore altogether distinct from any partial funding concept. In that regard, he noted that SMF/LDC had a 100 per cent record of payment of contribution against pledges. Furthermore, he noted that the 90 per cent figure would not be applied automatically but in the light of experience. It was against that background that the Administrator had made his proposal.

16. The Deputy Director stressed the importance of the Operational Reserve being maintained at a level that could sustain the overall operations of the programme for a limited period. The proposed level would in fact provide resources for only two months. With regard to the request for authority for the purchase and construction of office accommodation, he confirmed that the

request was in relation to the establishment of common premises. Finally, he provided additional information with regard to the UNDP systems review and stressed the strong interest of UNDP in working closely with the United Nations in that area to ensure cost savings.

Recommendation of the Committee

17. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

1. Takes note of the report of the Administrator on the annual review of the financial situation (DP/1990/64 and Add.1) and the observations and comments made by its members thereon;

2. Notes the Administrator's comments on the level of the Operational Reserve;

3. Further notes the Administrator's expenditure targets over the balance of the cycle, which should enable continuous growth in programme expenditures into the fifth programming cycle;

4. Requests the Administrator to continue to review the expenditure targets, taking into account the actual contributions received, and to establish his expenditure projections to ensure as smooth a transition as possible to the fifth programming cycle;

5. Recognizes that the timing of the implementation of a common system may require funding before the Governing Council has the opportunity to review fully the budgetary implications and requests the Administrator to report to the Council on the status of the systems review project and the feasibility of developing a common system with the United Nations, at its special session in February 1991;

6. Strongly urges Governments to provide or assist the United Nations Development Programme to the maximum extent possible in obtaining office accommodation in accordance with the agreements of host countries;

7. Authorizes the Administrator:

(a) To overcommit the Reserve for Field Accommodation by $10 million, including existing commitments, while ensuring that funds disbursed do not exceed $25 million at any time;

(b) To increase the funds available for the rehabilitation of existing houses to $2.2 million, within the existing amount of the Reserve for Field Accommodation;

(c) To utilize the Reserve for Field Accommodation to purchase office accommodation when such purchase would be shared with organizations of the Joint Consultative Group on Policy and other United Nations organizations in the field;

8. Notes the Administrator's comments on the Special Measures Fund for the Least Developed Countries and the procedures which have been implemented to permit earlier programming of resources.

- - - -

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2/Add.2
5 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventy session
28 May-22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

G. Ex-post facto reporting

1. For its consideration of item 9 (g) of the Council's agenda, the Committee had before it the report of the Administrator contained in document DP/1990/72.

2. The Deputy Director of Finance introduced the item by noting that the report consisted of the following three parts:

(a) The first part provided a brief analysis by UNDP of the trends in technical co-operation activities, support cost earnings and support cost expenditure over the past four bienniums;

(b) The second part, annex 1, contained five tables. The first three tables summarized the financial data provided by the executing agencies and the next two tables provided an analysis of that date;

(c) The last part, annex 2, contained the narrative texts supplied by agencies, providing qualitative comments on key financial information included in their report.

3. The Deputy Director noted that, in the biennium 1988-1989, the overall delivery of technical co-operation activities from all sources combined increased to reach the highest level over the last four bienniums. The percentage share and amount of the technical co-operation activities funded by extrabudgetary sources had been steadily increasing, while the percentage share of UNDP-funded activities had been declining. The average reimbursement from UNDP to agencies represented 12.5 per cent of the total UNDP-funded technical co-operation project expenditure. The support cost rate for extrabudgetary activities varied by agency from 4 per cent to 21 per cent. On average, the ratio of support cost earnings from extrabudgetary sources was 8.7 per cent. UNDP charged donors 13 to 14 per cent for administering trust fund activities.

4. The support cost income from UNDP and other extrabudgetary sources seemed to be insufficient to cover support costs expenditure so that the subsidy from the regular budgets of agencies had increased. This increase in the agency subsidy could be attributed partly to the lower rates of support costs charged by agencies for administering extrabudgetary activities and party to the continued depreciation of the dollar during the biennium.

5. Finally, the report also indicated that the overall ratio of agency support cost expenditure to total technical co-operation project expenditure, on average decreased from approximately 19.5 per cent in the last biennium to 18 per cent in the current biennium.

Summary of the discussion of the Committee

6. Delegates took note of the timeliness of the report in view of the discussions on successor support cost arrangements. Many delegates questioned the consistency and utility of the data. One delegate commented that since agencies do not use a measurement system, the figures were somewhat arbitrary. Another delegate noted that agencies use different definitions. He suggested that while the data could be used to track trends by agency over time, it was of very limited use to draw comparisons between agencies. He asked whether a breakdown could be provided of support cost expenditure by agency by object of expenditure and by source of funds.

Response of the Administration

7. The Deputy Director of Finance took note of the comments questioning the utility of the report. He stated that UNDP played a limited role in compiling

the data and appreciated the highly limited value of the information provided. He noted that agencies were not in a position to provide a breakdown of support cost expenditure by object of expenditure and by source of funds.

Recommendation of the Committee

8. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council

1. Takes note of the ex-post facto report of the Administrator on agency support costs (DP/1990/72) and the views and opinions of the members of the Governing Council thereon;

2. Requests the Administrator to discontinue submission of the ex-post facto report on agency support costs;

3. Requests the Administrator, taking into account the decision on successor arrangements on support costs, and after consultation with the participating and executing agencies, to present a draft of a report which will provide accurate information on actual support costs incurred, by source of funds, to the Council for its consideration at its thirty-eighth session (1991).

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2/Add.3
5 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May-22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

D. Trust funds

1. For its consideration of agenda item 9 (d), the Committee had before it the reports of the Administrator contained in documents DP/1990/68 and DP/1990/68/Add.1, the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87) and a background note on the scope and nature of activities of trust funds established by the Administrator since 1981.

2. Several delegates requested information on the level of support costs charged to trust funds and confirmation that they were adequate to cover UNDP costs. Noting the number of trust funds established, one delegate questioned whether the handling of trust funds was becoming administratively cumbersome. Several delegates noted that some funds were inactive or had limited income and no current expenditures and questioned why these funds had not been liquidated and balances transferred to other activities. One delegate questioned the timing of income, noting that some funds had significant deficits as at 31 December 1989.

3. The Deputy Director, Division of Finance, responded to the questions. He indicated that UNDP charged the same support costs rates for trust funds as it did for the regular programme, with 1 per cent added to the appropriate rate to cover UNDP headquarters and field office costs. In addition, should a sub-trust fund be established for one of the trust funds administered by the Administrator, an additional 1 per cent was incorporated for that trust fund. He further stated that the number of trust funds did not create administrative difficulties for UNDP and that all were consistent with UNDP aims.

4. The Deputy Director outlined the procedures for closing a trust fund and indicated that some two and a half years are needed to close a trust fund and dispose of any balance after consultation with the donor. Fund balances could not be unilaterally transferred by UNDP to another activity as they were handled in trust for the donor. With respect to the timing of receipts and the deficits existing as at 31 December 1989, he indicated that agreements with donors called for funds to be received in advance of planned expenditures. The majority of the year-end deficits resulted from a specific situation with respect to one donor. The matter was discussed at the highest levels. Based on assurances by the donor that the amounts in question would be paid in early 1990, the Administrator agreed to continue the project activities to avoid adverse impacts on recipient Governments and the inherent additional costs associated with shutting down and then restarting a project. The amounts were paid in early 1990 as agreed.

Recommendation of the Committee

5. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered the report of the Administrator on trust funds established by him in 1989 (DP/1990/68), and of the summary financial information on all trust funds established by the Administrator since 1981 (DP/1990/68/Add.1), and the report of the Advisory Committee on Administrative and Budgetary Questions thereon (DP/1990/87),

1. Takes note of the report on trust funds established by the Administrator in 1989 (DP/1990/68) and of the summary financial information on all trust funds established by the Administrator since 1981 (DP/1990/68/Add.1) and of the views and observations of its members thereon;

2. Urges the donor Governments concerned to ensure that funds are received in advance of trust fund activities in accordance with the provisions of the United Nations Development Programme Financial Regulations and Rules.

- - - - -

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2/Add.4
6 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May - 22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

Chapter ___:

United Nations Population Fund

GE.90-68009/6472A

CHAPTER II. UNITED NATIONS POPULATION FUND

1. For its consideration of the financial, budgetary and administrative matters of item 6 of the Council's agenda, the Committee had before it the following documents:

(a) Audit reports (DP/1990/50);

(b) Progress of office automation activities during 1989 (DP/1990/51);

(c) Report on senior management structure at UNFPA headquarters and its implications for post classifications (DP/1990/52);

(d) Report of the Executive Director on the criteria and procedures for the establishment of temporary and regular posts in the field and at headquarters and proposal on the conversion of existing temporary local posts in the field (DP/1990/53);

(e) Annual financial review, 1989 (DP/1990/54/and Corr. 1);

(f) Report of the Executive Director on proposed revisions to the Financial Regulations of UNFPA (DP/1990/86).

(g) Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/55);

2. Copies of document A/44/5/Add. 7, containing the UNFPA audited financial statements and the report of the Board of Auditors for the year 1988, were also made available to the Budgetary and Finance Committee.

3. In introducing the United Nations Population Fund (UNFPA) item and the Annual financial review (DP/1990/54 and Corr. 1), the Executive Director informed the Committee that UNFPA's total income in 1989 was $185.2 million, an increase of 4 per cent over the total income in 1988. Project allocations had increased by 15 per cent, from $169 million in 1988 to $194.2 million in 1989. Project expenditures had increased by an even higher percentage, 21 per cent, from $130 million in 1988 to $157 million in 1989. Expenditures for administrative and programme support services rose by the same percentage (21 per cent); hence the ratio of project expenditures to administrative expenditures had remained stable.

4. The Executive Director was pleased to report a substantial reduction in the carry-forwards in UNFPA's general resources, from $32 million at the end of 1988 to $8.5 million at the end of 1989. While this was a welcome development, it pointed to the fact that the Fund's substantially increased level of programming and implementation would require a corresponding increase in resources in future years.

5. Turning to UNFPA's senior management structure at headquarters and its implications for post classifications (document DP/1990/52), the Executive Director mentioned that last year all requested classifications had been approved except those of six posts on which the Council had deferred a decision to this session, namely, the posts of the four Chiefs of the Geographical Divisions at the D-2 level, the post of Chief of the Division for Finance, Personnel and Administration also at the D-2 level, and the post of Chief of the Resource Development Unit at the D-1 level.

6. The Executive Director pointed out that the 1987 realignment of the Fund had had a far reaching effect on the duties and responsibilities of the Chiefs of UNFPA's Geographical Divisions. The Chiefs now had a large degree of authority for independent decision-making in respect of the planning, programming, monitoring and management of the Fund's country and regional programmes. They also had full responsibility for the overall supervision of a large number of staff at both headquarters and in the field.

7. The realignment and subsequent decentralization of project approvals to the field also significantly affected the duties and responsibilities of the Division for Finance, Personnel and Administration. The Division managed all administrative and budgetary functions of UNFPA headquarters and the Fund's field office network. It had taken on many new tasks and developed new

initiatives in the area of personnel, and was responsible for providing a wide range of procurement services for headquarters and the field.

8. Activities in the area of resource development had become crucial as the need for international population assistance continued to expand. Sustained efforts were thus required to mobilize further resources in developing as well as developed countries. The Unit was also responsible for the important area of multi-bilateral funding.

9. The Executive Director then introduced the Fund's report on the proposed conversion of existing temporary local posts in the field and UNFPA's criteria for establishing temporary and regular posts (DP/1990/53). The Fund was requesting the regularization of the remaining 146 local posts in the field in order to complete a process that was begun in 1986. She stressed that the proposal was cost-neutral and had been fully supported by the ACABQ (DP/1990/55, para. 8).

10. Before concluding her remarks, the Executive Director directed the Committee's attention to paragraph 10 of the ACABQ report, in which the ACABQ suggested that reports be issued by the Board of Auditors only in those years in which the Board dealt with audited financial statements and accounts, i.e., on a biennial basis, as was already the case with the Audit Reports of the United Nations.

11. The Deputy Executive Director introduced the documents pertaining to the proposed revisions to the Financial Regulations of UNFPA (DP/1990/86) and the audit reports (DP/1990/50). He noted that the proposed amendments to regulations 16.1, 16.3, 17.1 and 17.2 were the same as those submitted by UNDP for the same regulations. The other amendments proposed in the report were in response either to General Assembly resolutions and Governing Council decisions adopted after the latest revision of the Fund's Financial Regulations (June 1984) or to needs identified in a review of UNFPA Financial Regulations.

12. Regarding the document on audit reports, the Deputy Executive Director noted that UNFPA had taken steps to address the qualification of the Board of Auditors on UNFPA's financial statements for 1988. These included, among others, the proposed revisions to the Fund's Financial Regulations presented in document DP/1990/86; stepped up efforts to ensure full compliance with UNFPA's financial reporting and audit requirements of all government- and NGO-executed projects financed by UNFPA; and the integration of the Fund's major regular publications into the APSS budget, as well as the full integration of all regular staff at headquarters and in the field into the APSS budget.

13. The Chief of the Programme Co-ordination, Management and Field Support Office (PCMFSO) introduced the report on the progress of office automation during 1989 (DP/1990/51). He noted that UNFPA had begun efforts to develop a viable organizational structure for the MIS Unit and to establish office-automation

standards for both the field offices and headquarters. He emphasized that UNFPA had made considerable progress in the installation of computer hardware and software at headquarters and in the field, as well as in the development of a number of databases designed to enhance programme management. He then reviewed related staff training activities of the past year, and discussed planned office-automation activities for 1990, with emphasis on those in the area of system development including a field-oriented project monitoring system.

Summary of the discussion in the Committee

14. Delegates thanked the Executive Director for her informative introductory statement and for the comprehensive documentation submitted to the Committee.

15. Much of the discussion in the Committee centred on the proposed classifications of the six posts referred to in decision 89/49, paragraph 12(e). While there was general consensus among delegates that UNFPA's growing role in the population field had been paralleled by the organization's operational and financial growth, there was a difference of opinion as to the implications of this growth on the classification of posts at the senior level in the Fund. Numerous delegates, citing the comprehensiveness of the report on the senior management structure of the Fund, supported the Executive Director's proposal on the upgrading of the six posts. They noted, among other things, the considerable increase in the responsibilities and functions of each of the

posts and the desirability and appropriateness of the upgradings in terms of maintaining contacts with government officials at the highest levels.

16. Several delegates, however, expressed reservations regarding the proposal, requesting more detailed information on the different tasks and responsibilities performed by the four Chiefs of the Geographical Divisions, as well as on the number of projects/programmes handled by each and the volume of financial and technical resources of each Division. These same delegates also asked if the Executive Director had established priorities among the six posts proposed for upgrading. One delegate, citing the need for more information on the budgetary implications of the proposal, recommended deferring the decision until the next session, discussing the matter within the context of the proposed budget for 1992-1993. Two delegates, while acknowledging the increase in responsibilities and the analytical skills, good judgement and independence required of these posts, remained unconvinced by the information presented in document DP/1990/52 that the upgradings were warranted.

17. Concerning the related matter of the overall structure of the Fund, several delegates expressed their concern that the upgradings would produce a top-heavy UNFPA. They were also concerned about the gap that would result between Division Chiefs at the D-2 level and Deputy Chiefs at the P-5 level, should the Council approve the classifications now requested. In this context, some expressed their concerns about the potential for

the upgrading of the posts of deputy chief to D-1 and sought reassurances from the Executive Director that this was not the Fund's intention. These delegates generally agreed with the ACABQ's concern that there be no further organizational changes with attendant requests for reclassification in the near future. Others, however, cautioned against adopting overly restrictive policies concerning the organization's structure. They stressed that a dynamic organization must constantly reassess its personnel needs and, if necessary, make adjustments to meet changing needs.

18. While most delegates generally supported the Executive Director's request to convert the 146 remaining temporary local posts to regular posts, some expressed reservations. One delegate questioned whether the conversion of all 146 posts at one time would hamper the flexibility of the organization. Several others stated they would have liked more information on the financial implications of the termination of permanent contracts, should such action be required in future.

19. With regard to the proposed revisions to financial regulations, several delegations sought clarification on individual revisions. One asked if the revision of regulation 6.1 constituted a substantive change or merely a change in language. Others requested background information on regulation 4.11, concerning private donations to UNFPA. Addressing the proposed revisions of regulations 17.1 and 17.2, concerning the reporting procedures of the external audit, two delegations

recommended maintaining some form of external audit report during the intervening years of the biennium. Numerous others agreed with the view of the ACABQ that there was no compelling reason for the Board of Auditors, in the intervening years, to be required to submit to the Governing Council and the General Assembly, through the ACABQ, a report on substantive matters.

20. With regard to office-automation activities, there was general consensus among delegates that UNFPA had made good progress during the past year. One delegate, noting the difficulties his agency had encountered in adding special applications to the local area network (LAN), offered to share his agency's experiences with UNFPA and to assist the Fund in this area. Another delegation asked if UNFPA considered the reduction of staff in the future as one of the benefits of office automation. She also asked if UNFPA's office-automation system was compatible with the systems of other United Nations organizations, especially in the field. She further requested additional information about training programmes for field staff, as well as about the estimated costs of the overall training programme. In this context, one delegate stressed the cost-effectiveness of tailoring staff training to the particular needs of individuals, rather than training all staff in all software applications. Another delegate asked about the status of various databases, in particular the population indicators' database and the database related to gender considerations in UNFPA-funded projects, and if these databases were available to third parties.

Response of the Administration

21. The Executive Director thanked delegates for their support and for their positive statements concerning the operations of the Fund.

22. In response to delegates' questions and observations about the classification of the six posts referred to in decision 89/49, paragraph 12(e), the Executive Director noted that the structure of the Fund was more or less set and that she did not intend to make any structural changes in the near future. However, she agreed with the delegate who stressed that a dynamic organization must constantly reassess its personnel needs and, if necessary, make adjustments in order to meet changing needs. As to delegates' concerns regarding the upgrading of deputy division chiefs from the P-5 to the D-1 level, the Executive Director stressed that these posts had already been considered by the Classification Panel and had been classified at the P-5 level. With regard to the question concerning establishing priority among the posts submitted now for classification, she said she could not do this. In her opinion each post warranted the rating recommended. In terms of the posts of Chiefs of the Geographical Divisions, she stressed that the level of functions and responsibilities was exactly the same for each post. The fact that one division had more projects, staff or resources was, in her opinion, not significant. Each had to oversee a complex, decentralized field operation, and each had to deal with the highest levels of government on a routine basis.

23. With regard to the conversion of the 146 temporary local posts, the Executive Director reiterated that there was no cost implication in the proposal. The Fund's primary objective was to complete a process of regularization that had begun in 1986.

24. With regard to the questions concerning the proposed revisions of financial regulations, the Chief of the Division for Finance, Personnel and Administration noted that the text of regulation 6.1 was revised in order to eliminate ambiguity, and thus did not constitute a change in the substance of the regulation. Regulation 4.11 on individual donations was introduced in 1983. Its primary purpose was to avoid undue influence by individuals making large contributions or the appearance of such influence. However, the ceiling of $25,000 was seen to be too low. The Council, therefore, had authorized the Executive Director to accept, on behalf of UNFPA, individual donations of up to $100,000 without the prior approval of the Council (decision 88/36).

25. In response to the queries on office automation, the Chief of PCMFSO thanked delegates for their valuable suggestions and positive comments. He welcomed the offer of technical support, especially since UNFPA too had encountered difficulties in adding special applications to the LAN. Concerning the question of whether the reduction of staff was one of the envisioned long-term benefits of office automation, he replied that it was not. Rather, the aim of office automation was to reduce repetitive,

time-consuming tasks so as to enable existing staff to devote more time to more innovative and analytical work. As regards the cost of training in office automation, he noted that the Council had approved $360,000 in the current biennium for this purpose. In response to the query on compatibility with other agencies, he said that the Fund had started exploring the issue with such organizations as ILO, WHO, UNESCO, FAO and UNDTCD. Regarding the databases, he said that the population indicators' database had been operational since the latter part of 1989 and was available to third parties. The database related to gender considerations was still in the design stage, as work on it had just gotten under way.

Further discussion in the Committee

26. Referring to the figures on income and expenditure of UNFPA trust funds provided in table 7 of the Annual financial review, 1989 (DP/1990/54), one delegate noted that the unexpended balance in both 1988 and 1989 was quite high. He asked if this meant that there had been a problem in the disbursement of multi-bilateral funds.

27. Another delegate sought clarification concerning UNFPA's financial procedures on the generation of interest income on advances to government-executed projects. She noted that whereas UNDP made such advances on a monthly basis, UNFPA made its advances on a quarterly basis. She was concerned that UNFPA did not seem to have financial regulations governing such

arrangements. She suggested therefore that UNFPA should harmonize its arrangements with those of UNDP.

28. Several delegates noted their general concern with the modality of government execution of projects. One noted that many of the problems with this modality were common to all aid agencies and thus all donors could benefit from sharing their experiences with others. Another delegate felt that the modality did not seem to be working as smoothly as one would wish. Citing the data provided in annex II of DP/1990/54, he noted the relatively low rate of expenditures against advances, in particular the more than $10 million in outstanding balances at year-end in 1989.

29. Two delegates expressed concern about the reference in the Executive Director's statement to the Council's Plenary session regarding her intention of designating her two top assistants as Deputy Executive Directors instead of their current designations of Deputy and Assistant Executive Director. They stressed the importance of maintaining clear lines of authority, and asked if this constituted an organizational change.

Response of the Administration

30. With regard to the question on the disbursement of multi-bilateral funds, the Chief of UNFPA's Finance Branch explained that the balances existed because, according to UNFPA's rules, trust funds must be fully funded. This meant that payments by

donors must precede commitment for disbursements. Thus, the large balances reflected early payments of multi-year commitments.

31. Concerning advances to government-executed projects, the Deputy Executive Director noted that UNFPA did in fact have regulations and rules governing such arrangements, namely financial regulation 13.6 and financial rule 104.6. He further explained that from time to time UNFPA issued a circular to executing agencies reminding them that interest income had to be fully accounted for. Any interest so accrued was then deducted from the money disbursed for the next three-month cycle.

32. In response to the observations concerning government execution of projects, the Deputy Executive Director welcomed the opportunity to share experiences with all donors with the aim of finding ways of improving accountability of government execution. Regarding the $10 million in outstanding balances, the Chief of the Division for Finance, Personnel and Administration explained that this was in part a reflection of recently adopted accounting procedures as recommended by the external auditors.

33. With regard to delegates' questions concerning the Executive Director's intention of designating her two top assistants as Deputy Executive Directors, the Executive Director noted that there was no intention to change the top management structure of the Fund. The responsibilities of the two Assistant Secretaries-

General would continue to be exactly the same as in the past. One of the Deputies would be designated as number two in the Fund and would be officer-in-charge of UNFPA in the absence of the Executive Director. This would ensure a clear line of authority from the Executive Director downwards.

34. The Deputy Executive Director also noted UNFPA's concern over the issue of sharing common premises with UNDP in the field. He reiterated UNFPA's desire to continue the previous arrangement by which UNDP's Reserve for Field Accommodation was used to provide loans to governments for the construction of office space not only for UNDP, but also for UNFPA. This would avoid the setting up of a separate Reserve for Field Accommodation for UNFPA as well as the inevitable complications for the developing countries in dealing with two separate loans for office construction. The Deputy Executive Director also stressed the need for the Council to use a common approach to UNDP and UNFPA in all matters of common premises.

35. Following a brief discussion of the issue of common premises, the Chairman of the Committee proposed that the matter be discussed jointly with all interested parties in preparing a draft decision relevant to the subject.

- - - - -

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2/Add.4/Annex
5 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May - 22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

CHAPTER ___: United Nations Population Fund

ANNEX

90/ United Nations Population Fund

The Governing Council,

Having considered the Audit Reports (DP/1990/50); Report of the Executive Director on progress of office automation activities during 1989 (DP/1990/51); Report of the Executive Director on senior management structure at UNFPA headquarters and its implications for post classifications (DP/1990/52); Report of the Executive Director on the criteria and procedures for the establishment of temporary and regular posts in the field and at headquarters and proposal on the conversion of existing temporary local posts in the field (DP/1990/53); Annual financial review, 1989 (DP/1990/54 and Corr.1); Report of the Advisory Committee on Administrative and Budgetary

Questions (DP/1990/55); and Report of the Executive Director on proposed revisions to the Financial Regulations of UNFPA (DP/1990/86),

Recalling its decision 89/49 of 30 June 1989,

1. Takes note of the report by the Executive Director on senior management structure at UNFPA headquarters and its implications for post classifications (DP/1990/52), and requests the Executive Director to take appropriate account of the comments and concern expressed by delegations, concerning future reclassification as well as the financial implications and the need for strengthening the UNFPA field network,

2. (a) Approves the classification at the D-2 level of the posts of Chief of each of the four Geographical Divisions, as well as of the post of the Chief, Division for Finance, Personnel and Administration;

(b) Approves the classification at the D-1 level of the post of Chief, Resource Development Unit;

3. Decides to establish, in the administrative and programme support services budget for the biennium 1990-1991, as regular posts those 146 temporary local field posts, referred to in decision 88/36, paragraphs 7 and 9;

4. Takes note with satisfaction of the progress being made in the implementation of the Strategy of Office Automation, as reported in document DP/1990/51, in particular the steps taken by the Fund in the areas of MIS personnel resources, installation of hardware and software at the field and headquarters levels and of the development of management information system databases specifically designed to strengthen programme development capacity of the Fund;

5. Takes note of the annual financial review, 1989 (DP/1990/54);

6. Takes note of the Audit Report (DP/1990/50) and anticipates with interest the proposals to be submitted to the thirty-eighth session of the Governing Council by the Executive Director on the ways and means to strengthen the Fund's accounting systems and accountability controls both at headquarters and in the field.

7. Approves revisions to the financial regulations of UNFPA as proposed by the Executive Director in her report on this subject (DP/1990/86), allowing the Executive Director to submit audited financial statements of the

United Nations Population Fund to the General Assembly and the Governing Council, through the Advisory Committee on Administrative and Budgetary Questions, on a biennial basis, beginning with the biennium 1990-1991.

[8. Requests the Executive Director on an exceptional basis to bring audit comments to the attention of the General Assembly and the Governing Council through the Advisory Committee on Administrative and Budgetary Questions, when requested by the United Nations Board of Auditors to do so, when in a mid-biennium year in their opinion such action is appropriate.]

- - - - -

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2/Add.5
6 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May-22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

F. Financial Regulations

1. For its consideration of this agenda item, the Committee had before it documents DP/1990/63, DP/1990/70 and the report of the Advisory Committee on Administrative Questions (ACABQ) (DP/1990/87).

2. Several delegates indicated that they would wish to negotiate those regulations on which consensus had not been reached in the past. Several other delegates indicated that their position had not changed on that matter and suggested that it be deferred for a further two years. Several delegates requested clarification of the proposed timing and process for the submission of financial statements to the auditors.

3. The Deputy Director, Division of Finance, indicated that it had been proposed that audited financial statements be submitted on a biennial basis, starting in 1991; apart from that, the existing process would not change.

Interim unaudited financial statements would be prepared for 1990 and for each even year thereafter and would be submitted to the Board of Auditors for review and comment. Other areas which the auditors might wish to address, for example, management issues, procedures or systems would also be reviewed each year and discussed with the Administration. As suggested by ACABQ, and subject to the concurrence of the Governing Council, comments on the annual review would be incorporated in the biennial report of the audited financial statements to be submitted to the Council and to the General Assembly through ACABQ. The Administrator would continue to submit an annual review of the financial situation to the Council.

Recommendation of the Committee

4. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered the report of the Administrator on United Nations Development Programme Financial Regulations: Matters on which consensus was not achieved at the thirty-fifth session (DP/1990/70); and the report of the Administrator on United Nations Development Programme Financial Regulations: Biennialization of financial statements (DP/1990/63), as well as the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87);

1. Decides that the Budgetary and Finance Committee will consider, at the thirty-ninth session (1992) of the Governing Council, proposed Financial Regulation 4.6 and the other matters on which consensus was not reached at the thirty-seventh session (1990) of the Council;

2. Takes note of the report of the Advisory Committee on Administrative and Budgetary Questions;

3. Approves amendments to the Financial Regulations of the United Nations Development Programme, as proposed by the Administrator in document DP/1990/63, allowing the Administrator to submit audited financial statements to the General Assembly and to the Governing Council, through the Advisory Committee on Administrative and Budgetary Questions, on a biennial basis, beginning with the biennium 1990-1991.

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2/Add.6
14 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May - 22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

Rapporteur: Mr. Mohamed Mahmoud (Mauritania)

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

E. Audit reports

1. For its consideration of agenda item 9(e), the Committee had before it a note by the Administrator on the report by the Board of Auditors on the UNDP financial statements for the year ending 31 December 1988 (DP/1990/76), the audit reports (DP/1990/69) of the external auditors of the executing agencies on the 1988 accounts and the Administrator's note on their observations (DP/1990/69/Add.1), the Financial report and audited financial statements (A/44/5/Add.1), and the report of the Advisory Committee on Administrative and Budgetary Questions (A/44/543).

2. The Deputy-Director of Finance made an introductory statement concerning the qualification of UNDP accounts. The main points are outlined below.

3. The 1988 UNDP accounts were qualified on three grounds:

(a) Lack of audited accounts for some of the major executing agencies;

(b) Lack of progress made in obtaining audited statements for programme expenditure executed by Governments;

(c) Lack of breakdown of government cash counterpart expenditure by project.

4. The Deputy-Director informed the Committee that the 1989 audit of UNDP accounts would be qualified on points (a) and (b) above; however, the qualification with regard to cash counterpart expenditure had been eliminated for 1989. The proposed move to the biennialization of UNDP audited financial statements would not solve the problem since UNDP could not guarantee the timely submission of audited statements from executing agencies or Governments; nevertheless, every effort would be made to make progress in that area.

5. The Deputy-Director went on to point out that in 15 years UNDP had received unqualified audits in 12 years and qualified audits in 3 years. Each audit team, while diligent and comprehensive in completion of the audit, was different. Each group completed the audit in accordance with its national standards, including application of its standards for materiality. It was suggested that in future audits, additional information might be provided by the Board of Audit to enable the Governing Council to evaluate the materiality and significance of points raised in the report. With regard to biennialization, the ACABQ proposal was that audit reports should be submitted to it only on a biennial basis even though the audits would continue to be completed on an annual basis. A report could be submitted to the Council in the first year of the biennium on an exceptional basis at the discretion of the Board of Auditors.

Summary of the discussion of the Committee

6. While the qualification of the audit on several counts was regretted, it was recognized that some of them were of a technical nature; delegates welcomed the progress made towards correcting the situation. The proposed biennialization of the audit would also assist in removing the qualification arising from the non-receipt of audited statements from the agencies.

7. Adequate audit coverage of funds disbursed by Governments was of great concern, especially given the move towards an increase in national execution. National execution, it was noted, was an important modality but financial accountability was also very important. Delegates expressed caution in that national execution should be based on the capacity of Governments to control and report.

8. Problems in recording unliquidated obligations were addressed, with concern registered as to possible abuses. One delegate suggested that obligations should be delivery-based rather than calculated on the basis of unfulfilled orders.

9. Delegates wished to improve the transparency of accounting delineation between field and headquarters activities and requested further information on posts, especially project-funded posts at headquarters. Further information on programme logistical support projects (PLSPs) was needed. Some delegates also asked about some field offices exceeding allotments.

10. Concern was expressed about cost-sharing apportionment. Further information was requested.

11. Some delegates reiterated concerns about UNDP advancing funds when donors failed to meet funding commitments to trust funds. One delegate stated that in the future trust fund activities should be accepted only on a fully funded basis.

12. The move to biennialization of the audited statement was the subject of extensive discussion. The view was expressed that the Governing Council would not receive adequate information in the first year of a biennium and that some method had to be found to enable the Board of Auditors and ACABQ to bring any important information to the Council's attention.

Response of the Administration

13. The Deputy Director confirmed that improving accountability for government-executed projects was a major priority. UNDP procedures had evolved over time. In 1989, a major effort was made to prepare audit guidelines which were taken to each country for review, discussion and subsequent clarification. By the end of the 1989 audit, UNDP had received audit confirmations on one third of the nationally executed projects; that figure had increased to 50 per cent by June 1990, covering 46 countries. Thus, there had been significant progress over the past year. In the opinion of UNDP, that would suggest that the audit and reporting ability existed in most countries. UNDP would review the audits and ensure that they were of acceptable quality. UNDP would go back to discuss, evaluate and improve existing procedures. UNDP would also discuss with the Board of Auditors the appropriate level of audits of nationally executed projects, possibly using a sampling approach rather than the current expectation of 100 per cent coverage. Further improvement of computerization was planned for field offices and for national execution reporting and controls.

14. Delineation between core budget and programme support activities was totally transparent in the budget presentation. Guidelines had been established on what was normally necessary for projects. In drawing up PLSPs, due attention was paid to the economies of scale possible when supporting a number of projects with one PLSP. UNDP was proposing to issue new guidelines to cover tighter budgetary control. Current PLSP expenditure of around $2.4 million represented only 0.25 per cent of the total expenditure of $900 million. With regard to the increase in project posts in New York to 80, many of them had been specifically approved by the Governing Council and the majority of the balance represent regional programmes controlled in New York. It should be remembered that of the total $280 million field office budget, some $123 million was estimated as the cost of supporting other United Nations activities.

15. The Deputy Director indicated that audit qualifications were likely to continue as long as there was a problem about the timely receipt of audited statements from agencies. He outlined the tight time frame for completion of audits and indicated that the complexity of the system made it virtually impossible to adhere to the schedule. However, every effort would be made to comply with the auditors' comments.

16. Unliquidated obligations were defined in the instructions as firm commitments provided for in the annual budget and supported by orders to suppliers. The 34 per cent write-off for the Office for Project Services (OPS) mentioned by the Board of Auditors related to a technical overstatement of travel obligations arising from the current conservative provision of 100 per cent of entitlement, while the actual travel expenditure was less. UNDP was considering using an average cost approach to reduce the problem. Any move to a confirmation of delivery approach would produce procedural and timing complications and could result in an understatement and thus would be less conservative than the present approach.

17. Cost-sharing apportionment was the subject of a new field office procedure introduced in 1989, whereby non-normal apportionment had to be justified. Only one apportionment was identified at year-end 1989. The problem with government cash counterpart contributions was technical in nature

in that they were denominated in national currency. Existing systems could not accommodate accounting in national currency; consequently, there were problems in reconciling agency and UNDP accounts at the project level. UNDP was reviewing existing procedures to resolve the difficulties.

18. The United Nations Development Fund for Women and the Division for Women in Development were very separate and distinct entities with different roles; UNDP was making every effort to provide cost-effective administrative support.

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2/Add.6/Annex
18 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May - 22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

Rapporteur: Mr. Mohamed Mahmoud (Mauritania)

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

E. Audit reports

ANNEX I

1. Following its consideration of the subject, the Budget and Finance Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered the audited financial statements of the United Nations Development Programme for the year ended 31 December 1988, and the report of the Board of Auditors thereon, contained in General Assembly document A/44/5/Add.1, as well as the views of the Advisory Committee in Administrative and Budgetary Questions thereon, contained in document A/44/543,

Having also considered documents DP/1990/69 and Add.1, containing the audited financial statements of executing agencies for the year ended 31 December 1988, the reports of the external auditors thereon, the comments of the Administrator on the audit reports of the executing agencies, and the

note by the Administrator on the audit reports of the United Nations Development Programme itself, document DP/1990/76 and a description of the actions taken in response to Governing Council decision 89/61, of 1 July 1989 and General Assembly resolution 44/183 of 19 December 1989,

Responding to General Assembly resolution 44/183 of 19 December 1989,

Taking into account the views and comments of the members of the Council on these matters, as well as the additional information provided orally by the Deputy Director of Finance and by the representative of the Board of Auditors,

1. Expresses its appreciation for the valuable work performed by the Board of Auditors and for the thoroughness and wide scope of their audit report;

2. Notes with concern that the audit opinion of the Board of Auditors on the 1988 accounts of the United Nations Development Programme was qualified on several counts, although some of these were technical in nature;

3. Notes with satisfaction that the Administrator has taken, or is taking, the necessary steps within his competence to correct the situations or conditions that gave rise to the qualifications of the audit opinion, as required by General Assembly resolution 44/183 of 19 December 1989;

4. Recognizes that, in addition to the problem referred to in paragraph 6 below, the audit report of the United Nations Development Programme may remain qualified so long as audit confirmation of programme expenditure incurred by the executing agencies has not been received by the Board of Auditors at the time that Board issues its opinion on the United Nations Development Programme accounts;

5. Requests the Administrator to urge organizations executing projects or programmes to submit audit confirmation of programme expenditure on a timely basis;

6. Expresses concern regarding the lack of adequate audit coverage of funds disbursed by Governments in their capacity as executing agencies for the United Nations Development Programme and urges the Administrator to continue his efforts to rectify this situation;

7. Requests the Administrator to continue to review with the executing agencies the procedures for recording unliquidated obligations, including the means to ensure that such procedures do not lend themselves to abuse;

8. Welcomes the attendance and the comments provided by a representative of the Board of Auditors at the meeting of the Budgetary and Finance Committee;

9. Requests the Board of Auditors, in future reports, to provide, within its comments, sufficient information to enable the Budgetary and Finance Committee to evaluate the materiality or significance of the underlying issues;

10. Requests the Board of Auditors to submit, through the Advisory Committee on Administrative and Budgetary Questions, in their biennial report to the General Assembly and the Governing Council, the findings and recommendations on the first year of each biennium;

11. Invites the Board of Auditors to issue a special report for the first year of each biennium through the Advisory Committee on Administrative and Budgetary Questions, if in the opinion of the Board there are matters which need to be brought to the attention of the Governing Council, and if appropriate, the General Assembly;

12. Requests the Administrator to determine whether the Financial Regulations of the United Nations Development Programme need to be amended and to report the results of his findings to the Governing Council at its thirty-eighth session (1991).

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2/Add.7
14 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May-22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

Rapporteur: Mr. Mohamed Mahmoud (Mauritania)

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

C. Report on the status of management services

1. For its consideration of agenda item 9 (c), the Committee had before it the report of the Administrator on the review of the experience gained in the provision of management services (DP/1990/67), submitted in response to Governing Council decision 88/54 of 1 July 1988.

Introductory statement by the Assistant Administrator

2. In his introductory statement, the Assistant Administrator, Director of the Office for Project Services (OPS) emphasized that programmes implemented under management sevices have remained, in volume terms, marginal with respect to the activities of UNDP as a whole. The management services currently offered enabled new partnerships with government agencies, other multilateral institutions, non-governmental organizations and the private sector, whose goals were the cost-effective and timely utilization of aid resources, regardless of their source.

3. Management services programmes were self-supporting at all levels and no adverse effects had been detected in the few countries where management services mobilized resources substantially larger than those available under the country programme. Any attempt to regulate the quantum of management services would introduce an arbitrary element in the project selection process and could operate contrary to the spirit of the original decision 83/5 of 24 June 1983, the intent of which was to make available additional resources to the developing countries. However, the proposed guidelines contained in the report of the Administrator were in response to the Governing Council's decision and were intended as safeguards to ensure that the demand for management services (a) did not affect the level of voluntary contributions to UNDP by traditional donors; (b) would not be a financial burden on the UNDP regular budget; and (c) would remain within the mandated development policy framework.

Summary of the discussion of the Committee

4. While expressing overall satisfaction with the way management services had developed over the past, many delegates raised the issue of possible erosion of the multilateral character of UNDP as management services grew to represent an important part of OPS activities. The growth of that modality, with OPS acting as the executing arm of bilateral donors, should be carefully monitored, especially where procurement was tied or the use of resources otherwise restricted. It was important to ensure that the modality did not offer a substitute for multilateral voluntary contributions to the core programme but rather that it offered true additionality. The proposed guidelines were generally welcomed but some delegates questioned the mechanical application of a formula to calculate donor eligibility as suggested in paragraph 53 (c) of the Administrator's report. One suggestion was to relate eligibility to donor voluntary contributions over time, i.e., longer than the three-year moving average suggested; another donor thought that the proposed approach was unduly restrictive and could lead some donors to restrict growth artificially in their voluntary contributions to ensure continued eligibility for management services.

5. Several delegates questioned the development impact of some projects implemented through the modality and wondered whether there would be long-term sustainability once resources were exhausted and UNDP involvement ceased. They suggested closer integration with a structured country programme rather than response to recipient requests. Some sort of exclusionary criteria

could perhaps be developed for greater selection in programmes to support. Greater field office involvement in monitoring and post project audits was recommended.

6. Some delegates questioned whether the build-up of staff in response to increasing demand for services was taking full advantage of possible economies of scale. Would there be sufficient flexibility in the system to respond to fluctuations in demand? The ability to reduce staff after the completion of certain projects was important, given the apparent slowing in the drawdown from the International Fund for Agricultural Development (IFAD) loans.

Response of the Administrator

7. In his response, the Assistant Administrator, Director of OPS, stated that the Administration fully shared the Governing Council's concern with respect to preserving the multilateral character of the Programme. The development of the management services modality was closely monitored. It was for that reason that UNDP had established a hard and fast separation between management services projects and core and non-core programmes, in contrast to practices prevailing among several agencies in the United Nations system. It was not only a matter of the separate accounting of funds provided under management services. Indeed, in considering issues related to a funding strategy for UNDP, the Administrator had concluded that management services should not be seen as an element in that strategy. Whilst the modality served to channel additional resources to the beneficiary country, it was not considered to add to the resource base of UNDP itself. The Administrator did not believe, however, that the scale of management services had reached a point where specific limitations of one kind or another were warranted in order to regulate their use. The rather large expenditure recorded in 1989 was a result of the confluence of the programmes funded by the Governments of Italy and Japan, and did not indicate a trend.

8. On the point of donor eligibility, the proposed guideline had not been devised on the basis of the record to date. It was recognized that many variants were possible in examining the evaluation of a donor's contributions, and that a balance had to be struck so that a specific arrangement did not act as a disincentive for increasing core contributions, yet would not discourage the provision of additional resources to an intended beneficiary. The Administration would welcome any suggestions that members of the Council might wish to make in that respect.

9. The Assistant Administrator emphasized that, with regard to development impact, management services were subject to the same evaluation criteria and procedures as other projects. For example, agreement had recently been reached with the donor to evaluate the large projects in Sudan and Chad. In terms of substance, management services projects were appraised for conformity with government priorities and country programme areas of emphasis. The bilateral element consisted in the donor/recipient identification of the programme, in the related decision-making, and, in several cases, the tying of procurement of services and goods to suppliers in the donor country.

10. With regard to the additional staff needed to carry out management services, OPS had a type of organization which could be expanded and contracted as appropriate, in response to the demand for management services. The Assistant Administrator confirmed that economies of scale were possible in some instances, and that the setting of management fees took such potential savings fully into account.

11. The apparent slow-down in disbursements against IFAD loans was caused by exceptionally heavy withdrawals on a large single loan in 1986-1987. The IFAD portfolio with OPS was, on the contrary, expanding and hence did not offer an opportunity for staff reductions.

Recommendation of the Committee

12. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Recalling its decision 88/54 of 1 July 1988 by which it requested the Administrator to report to the Council every two years on the status of management services undertaken by the United Nations Development Programme,

Also recalling its decision 89/59 of 30 June 1989, requesting the Administrator to submit to the Council amended guidelines on the provision of management services,

Recognizing that concrete advantages have accrued to the development process and to recipient countries from the provision of these services,

1. Takes note of the report of the Administrator on the review of the experience gained in the provision of management services (DP/1990/67) and the views and comments expressed thereon;

2. Approves the following guidelines:

(a) Projects and programmes undertaken under management services should be in conformity with the development priorities established by the recipient countries as expressed in national plans and other documents, in

particular the country programme. Such projects should be in conformity with the mandate of the United Nations Development Programme and due attention should be paid to impact and sustainability;

(b) The total cost to the United Nations Development Programme of providing the required services, whether incurred by headquarters or field offices, should be borne by the funding source;

(c) In considering bilateral donor eligibility, the Administrator should continue to be guided by previous Governing Council decisions covering concerns about a decline in the growth of voluntary contributions as well as the relationship between donor voluntary contributions and management services and should ensure that bilaterally sponsored management services complement the core programme;

3. Authorizes the Administrator to continue to extend management and other support services to recipient countries for programmes funded from domestic resources;

4. Requests the Administrator to include in his annual report on management services included in the annual review of the financial situation, information on voluntary contributions and contributions to the management services activities of such donors;

5. Urges the Administrator to present, in his biennial report on the status of management services, a substantive overview of evaluations undertaken with regard to the developmental impact of programmes and projects funded by bilateral donors.

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.2/Add.8
19 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May-22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

Rapporteur: Mr. Mohamed Mahmoud (Mauritania)

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

B. Revised budget estimates for 1990-1991 and matters relating to decision 89/59

1. For its consideration of agenda item 9 (b), the Committee had before it the report of the Administrator on revised budget estimates for the biennium 1990-1991 (DP/1990/65) and the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1990/87).

2. The Administrator made an introductory statement which highlighted the major issues to be considered. These included a further review of the senior management structure, proposals relating to post reclassification in UNDP core and the Office for Project Services (OPS), headquarters support to national execution, short-term advisory services and the presentation of the biennial budget estimates of the United Nations Development Fund for Women (UNIFEM).

3. He reviewed the routine cost adjustments, including the cost increases relating to the International Civil Service Commission (ICSC) package approved by the General Assembly. In presenting the senior management structure, the Administrator indicated that his proposals were modest. The structure was tried and true and, in his view, was not in need of a major change. He assured the Governing Council that the guidelines provided by the Council had been taken into account in preparing his proposals. He provided additional support for his proposal to maintain the head of BFA at the ASG level. He also stressed the need to maintain the head of OPS at the ASG level.

4. The Administrator then addressed his proposals regarding the reclassification of core posts, stressing that the request represented the first general proposal regarding reclassification since 1986. He indicated that his proposals regarding the Division of Personnel (DOP) reflected that the management of human resources was a high priority in UNDP. The posts in the Regional Bureaux took into account the volume of work handled and its complexity. The proposal for the Technical Advisory Division (TAD) reflected the expansion of the qualitative and quantitative role played in UNDP.

5. The proposals for reclassification in OPS responded to the level of responsibility of the posts. The Administrator further stated that a comparison with Regional Bureau structure would support his proposals.

6. The Administrator closed by presenting his proposal to provide support to accounts and audit for national execution efforts, and to incorporate short-term advisory services (STAS), in future to be called short-term advisory resources (STAR), in the budget. Other issues of importance to be discussed included the significant cost adjustments resulting from changes in conditions of service and the UNIFEM budget for 1990-1991.

Summary of the discussions of the Committee

7. Delegates commended the Administrator on his deployment of the volume increase approved in decision 89/59 of 30 June 1989, in particular the increased staffing in DOP and the Central Evaluation Office (CEO). Several delegates noted the ratio of general service to professional staff and questioned why computerization had not resulted in general service staff savings. With regard to the Administrator's proposals regarding the senior management structure, several delegates requested arguments for and against a structure with two Associate Administrators. Most delegates supported the Administrator's merging the United Nations Fund for Science and Technology and the United Nations Revolving Fund for Natural Resources and Energy and

questioned whether similar mergers of other funds, such as UNIFEM and the Division for Women in Development, would be possible. Other delegates questioned the Administrator's span of control, such as having the Division for Global and Interregional Programmes (DGIP) reporting directly to him and maintaining DOP outside BFA, and suggested a further merger of headquarter departments. Several delegates fully supported the Administrator's proposals, stating that UNDP needed a structure and personnel which responded to its mission and to the evolution of the programme. Failure to act on the proposed structure would not be appropriate; UNDP should be given the structure, financial means and staffing to respond adequately and professionally to its mission. Other delegates felt that, with the major issues of national execution, support costs and the fifth programming cycle still under discussion, consideration of a revision of the senior management structure might be premature. Many delegates supported the strengthening of the field offices rather than of headquarters and encouraged further decentralization. Some delegates expressed concern about the number of project-funded posts located at headquarters.

8. Delegates generally supported the ACABQ statement regarding the D-1 reclassification of core posts, i.e., that deficiencies in the salary system could not be addressed through reclassification of posts. Similarly, general support was stated for the ACABQ positions regarding the OPS reclassifications, although the Administrator's proposals in that area were supported by one delegation. Several delegates supported the proposed reclassification of posts up to the P-5 level. With respect to the OPS recommendations on reclassification, delegates generally supported the ACABQ comments, with several exceptions. Several delegates commented on the apparent "top heavy" structure and cautioned against further upgradings which would accentuate that position.

9. Delegates generally supported the UNIFEM biennial budget proposals. One delegate requested additional information regarding increases in some objects of expenditure. Delegates noted the proposals on the United Nations Volunteers (UNV), STAS, headquarters support to national execution and cost adjustments. With regard to national execution, several delegates stressed the importance of field-oriented support. Many delegates felt that with the move to more national execution a strengthened BFA was essential. Some delegates questioned whether BFA merited an ASG post if DOP were excluded, whereas other delegates approved the ASG post but encouraged close co-ordination between BFA and DOP.

Response of the Administration

10. The Administrator, Associate Administrator and the Chief of Budget Section responded to observations of the delegates.

11. The Associate Administrator commented on the senior management structure by highlighting the growth of OPS, its increased responsibilities and the fact that the Assistant Administrator level had been in effect since 1988. As long as the work of OPS continued it was appropriate to continue the position at that level. With regard to the BFA grading, he stated that the previous incumbent had had a special post allowance (SPA) to the Assistant Administrator level, as had been noted by ACABQ in 1988. He noted that the close co-ordination between BFA and DOP suggested by ACABQ was already being implemented. Regarding questions on the Administrator's span of control, he indicated that the UNIFEM and Special Unit for Technical Co-operation among Developing Countries (TCDC) legislation required a direct reporting relationship and that DGIP had a reporting relationship similar to that of the Bureaux, but that the possibility of further departmental mergers would always be kept under review.

12. Regarding reclassification, the Associate Administrator noted that while a number of detailed justifications had been provided to ACABQ, the salary deficiency point had been the only one cited. He confirmed that all jobs had been classified in accordance with ICSC standards at the higher levels and that the reclassification recommendations were based on a strict evaluation of job content and not on salary considerations. The new Bureau for Resources and Special Activities was a continuation of the Bureau of Special Activities with the addition of the Division of Information (DOI) and the Resources Mobilization Unit (RMU).

13. The Chief, Budget Section, responded to technical questions posed by delegates. He noted that the large number of general service staff performed para-professional functions, not secretarial functions, and so traditional professional/general service staff ratio calculations could be misleading. He explained the differences between the Transfer of Knowledge through Expatriate Nationals (TOKTEN), STAS and Development Support Services (DSS), which made a merger inappropriate and responded to questions on the UNIFEM budget presentation. Regarding the reclassification exercise, he indicated that ACABQ had been provided with the detailed grading sheet for each post.

14. The Administrator indicated that OPS responded to needs outside the mandates of agencies and did not compete with agencies. He stated that salary levels created a major problem but reclassification was justified by the level of responsibilities. He indicated that he appreciated the requests to reduce senior staff but indicated UNDP had more functions to perform and higher levels of responsibility. He noted that two Associate Administrators could create communications problems, citing previous experience in the area.

Summary of further discussions of the Committee

15. Delegates again question the timing of restructuring proposals citing other major issues which could impact on structure. One delegate, while not subscribing to all the observations made by ACABQ, appreciated the function it performed. Other delegates expressed concern about the priorities reflected in the ACABQ report and its consistency. Another delegate indicated that external consultants should not be used to justify reclassification. Another delegate noted that in an off-budget year, major issues were being presented.

Response of the Administration

16. The Associate Administrator made a comprehensive statement on each post presented for reclassification. He reiterated that items presented were carried forward at the Council's request from 1989.

Further discussions on the United Nations Volunteers Programme

17. The item on funding additional UNV Programme Officers, to serve in UNDP field offices, was referred to the Budgetary and Finance Committee from the plenary session on UNV, held on 13 June 1990.

18. In her introductory comments, the Executive Co-ordinator of UNV made reference to Governing Council decision 88/46 of 1 July 1988, which had established a scheme for funding the initial batch of 40 UNV Programme Officer posts under the Administrative Budget. Many delegates at the plenary meeting had subscribed to the view that the growth of the UNV programme over the biennium, measured in terms of an increase of over 600 serving UNV specialists, fully justified the funding of an additional 20 UNV Programme Officer posts, effective 1 July 1990, based on the original criteria, which included the number of serving UNV specialists.

19. The critical importance to the programme of the posts had two principal aspects: (a) support to the field programme activities in which the UNV specialists were engaged, from proper identification, planning and preparation at the individual post level, to monitoring, reporting and ensuring adequate communication with national colleagues; (b) both programme and administrative

support to the serving UNV specialists themselves, the latter with help from the UNV Administrative Assistants funded with each Programme Officer post. The comments of delegates at the plenary meeting had underlined the need to strengthen precisely those elements of the UNV programme. In order to meet the costs of the additional 20 posts, an extra amount of US$ 1.1 million would need to be allocated from the Administrative Budget for the period 1 July 1990 to 31 December 1991.

20. Most of the delegates favoured the proposal for the additional budgetary allocation, recalling the support given to it during the plenary discussions. Several delegates expressed their unreserved endorsement of the proposal in its present form, and their encouragement for the steps taken so far to decentralize decision-making to the field, in which the Programme Officers played such a key role. A number of queries were also raised, to which the Executive Co-ordinator subsequently responded.

21. The first question, voiced by one delegate, concerned the status of volunteer specialists, including the UNV Programme Officers, in relation to other professionals in UNDP field offices and to bilateral volunteers, in terms of their privileges and immunities. Another delegate raised a number of queries which were echoed by two others. One concerned the way in which the estimate of the requested number of additional posts had been arrived at, and whether, as a determining criterion, 10 serving volunteers for each Programme Officer was a sufficiently large number. The delegate also wished to know whether savings in the administrative support required could not accrue in the case of countries where there would be more than one UNV Programme Officer. Would there be start-up costs for the new Programme Officers, and what would they consist of? A query followed on the financial implications for the programme of the improvements in entitlements referred to in the Administrator's report, particularly in the Daily Subsistence Allowance (DSA), and in the number of dependents for each UNV specialist charged to the programme. Finally, the appropriateness of raising such a budget issue in an off-budget year, when it was not included in the Administrator's budget document, was also questioned. A third delegate asked whether savings in UNV headquarters staff could not be used to finance some of the field posts.

Response of the Executive Co-ordinator

22. In reply to the first question, the Executive Co-ordinator noted that all UNV specialists, including the UNV Programme Officers, were required to have the status of full professionals, as was the case with other UNDP

international staff, that they were recruited on volunteer terms. As for the number of 20 additional Programme Officers now required, that was the result of applying the criteria originally suggested by the independent review team in 1987 and subsequently endorsed by the Governing Council. The background note to the current proposal, which had been prepared by UNV and was available to members, showed clearly that the actual numbers of serving UNV specialists usually exceeded the minimum stipulated level of 10 by a considerable margin. Furthermore, in planning the country allocation of the new Programme Officers, the possibility of sharing administrative support had been fully taken into account. The start-up costs for each new post had been included in the extra allocation requested and consisted primarily of the costs of a four-wheel drive vehicle (not a driver, since all UNV specialists were expected to drive their own vehicles) and a personal computer. The first was essential in carrying out the field preparation and monitoring tasks of the Programme Officer. The second, which used a standardized software package being assembled, provided an effective link to UNV headquarters for both matching and reporting purposes in a highly decentralized operation. The change in the DSA affected only international travel and would have only a minimal impact on the finances of the programme, while the change in the management, rather than paid number, of authorized dependants had been undertaken specifically on the strong recommendations of the review team as endorsed by the Council.

23. It was, perhaps, unfortunate, that the substantive debate on UNV took place only in off-budget years; and it was for that reason that the Administrator had refrained from including an explicit proposal in the budget document. However, it was the Governing Council members themselves who had recognized the urgency of authorizing additional Programme Officer posts without further delay. UNV was already making every effort to introduce whatever savings in staff would be possible as the programme expanded, particularly by exploring all possible opportunities to outpost headquarters posts in particular functions that could be handled independently.

24. On the basis of the explanations given, the delegates agreed to conclude discussion of the item in informal discussions immediately following the session.

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.3
14 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May-22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Mr. Mohamed Mahmoud (Mauritania)

AMENDMENTS TO THE DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

After consideration of its draft report, the Budgetary and Finance Committee considered the following amendments:

DP/1990/BFC/L.2/Add.1

1. In paragraph 13, line 7, delete international insert intentional

2. In paragraph 17, draft decision paragraph 3, second line, after should insert , in his view,

3. In paragraph 17, draft decision paragraph 6, first line, after Governments insert , in accordance with agreements of host countries,

4. Also in paragraph 6, third line, after accommodation insert , preferably to be shared by the JCGP members. Delete the rest of the sentence.

5. In paragraph 17, draft decision paragraph 7 (c), first line, after utilize insert , as a last resort,

6. Also in paragraph 7 (c), third line, after and insert , to the extent possible,

DP/1990/BFC/L.2/Add.3

7. Paragraph 5, draft decision paragraph 2, first line, after Urges insert the Administrator and

DP/1990/BFC/L.2/Add.4

8. Delete paragraphs 34 and 35, insert new paragraph 34 to read

The Deputy Executive Director reported on the status of sharing common premises with UNDP in the field. He reiterated the desire of UNFPA to continue the previous arrangement by which the UNDP Reserve for Field Accommodation was used to provide loans to Governments for the construction of office space not only for UNDP, but also for UNFPA. UNFPA proposed to review the matter further with UNDP and other JCGP member organizations over the coming months and to prepare a submission to seek the Council's guidance at the thirty-eighth session.

DP/1990/BFC/L.2/Add.4/Annex

9. In paragraph 6, first line, of the draft decision delete report insert reports.

10. Delete paragraph 8, insert new paragraph 8 to read

Invites the Board of Auditors to issue a special report for the first year of each biennium through the Advisory Committee on Administrative and Budgetary Questions, if in the opinion of the Board there are matters which need to be brought to the attention of the Governing Council and, if appropriate, to the General Assembly.

11. Insert new paragraph 9 to read

Requests the executive Director to determine whether the Financial Regulations of the United Nations Fund for Population Activities need to be amended and to report the results of her findings to the Governing Council at its thirty-eighth session (1991).

- - - - -

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.3/Add.1
20 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May-22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Mr. Mohamed Mahmoud (Mauritania)

AMENDMENTS TO THE DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Attached are amendments to:

DP/1990/BFC/L.2/Add.6

DP/1990/BFC/L.2/Add.7

DP/1990/BFC/L.2/Add.6

1. In paragraph 5, line 7, delete Audit insert Auditors

DP/1990/BFC/L.2/Add.7

2. In paragraph 4, last line, add Another donor suggested that the linkage of eligibility to a growth in voluntary contributions could restrict the use of this facility by those donors who already make large core contributions to UNDP and who cannot increase contributions because of burden-sharing considerations.

3. Paragraph 12, draft decision, paragraph 1, third line, should read views, comments and concerns expressed thereon;

4. In paragraph 12, draft decision, paragraph 2 (a) third line, delete other documents, in particular, insert as laid down in

---

GE.90-68446/2698a

UNITED
NATIONS

DP

Governing Council
of the United Nations
Development Programme

Distr.
LIMITED

DP/1990/BFC/L.3/Add.2
22 June 1990

Original: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Thirty-seventh session
28 May-22 June 1990, Geneva
Item 10 of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Mr. Mohamed Mahmoud (Mauritania)

AMENDMENTS TO THE DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Attached are amendments to:

DP/1990/BFC/L.2/Add.8/Annex.

DP/1990/BFC/L.2/Add.8/Annex

1. Before paragraph 3 insert Senior Management Structure

2. Delete paragraphs 4 to 7, insert new paragraphs to read

4. Expresses its concern that the proposed management structure as laid down in document DP/1990/65 does not constitute the comprehensive review requested by the Council in its decision 89/59;

5. Welcomes the intention of the Administrator to engage an independent external consulting firm to make substantive recommendations on the future senior management structure of UNDP and to submit them with his comments for consideration at the thirty-eighth session of the Governing Council;

6. Notes the intention of the Administrator to include in the terms of reference for the external consulting firm the following elements:

(a) the need for all members of the programme to be able to submit their views to the consultants during the initial phase of their work and for them to have access to the members as their work progresses;

(b) the need for a detailed analysis of fundamental issues related to the senior management structure with options and alternatives bearing in mind the legislative mandates contained in relevant resolutions of the General Assembly, the issues raised by ACABQ and comments made by delegations at the thirty-seventh session of the Governing Council;

(c) the importance of the analysis addressing the need for UNDP to maintain flexibility and efficiency in its operations in light of the changing demands on the organization, the need to ensure enhanced co-ordination among both programme and administrative support units, and the need to improve UNDP's ability to co-ordinate its relationship with other organizations in the United Nations system;

(d) decisions on the fifth programming cycle and successor arrangements to agency support costs;

(e) merger or consolidation of core units performing similar or related functions;

(f) reduction of the number of units now reporting directly to the Administrator by transferring responsibility for these activities to existing bureaux of the programme;

(g) streamlining the management of trust fund, including information on potential savings bearing in mind paragraph 22 of this decision;

(h) opportunities for reducing the total number of senior level posts (D2 and above);

7. Recommends to the Administrator to hold informal consultations with members prior to the thirty-eighth session of the Governing Council on the recommendations submitted by the external consultants;

8. Strongly urges the Administrator to reconsider the merits of transferring the responsibilities of DOP to BFA and to present to the Council at its thirty-eighth session his decision in the context of the 1992-1993 budget;

9. Takes note of the Administrator's decision to unfreeze the post of Assistant Secretary-General for the Bureau for Finance and Administration and decides to review the ASG grade level for the Director of BFA in light of the consultants' recommendations at the thirty-eighth session of the Governing Council;

3. Renumber all subsequent paragraphs accordingly.

4. Before (re-numbered) paragraph 11 insert

Post reclassifications and other decisions

5. In (renumbered) paragraph 16, first line, after Approves the insert other

6. Before (renumbered) paragraph 19, insert United Nations Volunteers

7. Before (renumbered) paragraph 22, insert Other issues